

VZCZCXYZ0000  
RR RUEHWEB

DE RUEHAM #2316/01 2181026  
ZNR UUUUU ZZH  
R 051026Z AUG 08  
FM AMEMBASSY AMMAN  
TO RUEHC/SECSTATE WASHDC 3262  
INFO RUEHGB/AMEMBASSY BAGHDAD 6035  
RUEHLB/AMEMBASSY BEIRUT 2885  
RUEHEG/AMEMBASSY CAIRO 3739  
RUEHDM/AMEMBASSY DAMASCUS 3939  
RUEHRH/AMEMBASSY RIYADH 1991  
RUEHTV/AMEMBASSY TEL AVIV 1276  
RUEHJM/AMCONSUL JERUSALEM 5111  
RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDOG/DEPT OF COMMERCE WASHDC

UNCLAS AMMAN 002316

SENSITIVE  
SIPDIS

STATE FOR NEA/ELA

E.O. 12958: N/A  
TAGS: [EINV](#) [ECON](#) [PGOV](#) [SOCI](#) [JO](#)  
SUBJECT: KING'S HOUSING INITIATIVE FOR LOW-INCOME CITIZENS ENHANCED  
BY \$250 MILLION INVESTMENT FROM OPIC

REF: Amman 1103

11. (U) Summary: King Abdullah dubbed 2008 the "Year of Housing" for Jordan, and has launched a housing initiative with the goal of building 20,000 units per year. The initiative will include government-provided land and infrastructure, privately-constructed units, and bank-provided mortgages targeted at low-income Jordanians. The program is designed to help meet growing housing demand and rising prices. 256 participants have been pre-qualified for the program, and the government hopes to approve up to 1,000 before the end of the year. In support of the initiative, Overseas Private Investment Corporation President and CEO Robert Mosbacher, Jr. signed on July 29 a memorandum of understanding lending \$250 million to three Jordanian banks so that they can offer extended mortgage terms and lower interest rates to qualified, low-income residents unable to obtain conventional mortgages. End Summary.

"Decent Housing for Decent Living"

12. (U) During his December 2007 speech to open parliament, King Abdullah announced that 2008 would be the "Year of Housing." He subsequently launched the "Decent Housing for Decent Living" initiative which seeks to build 120,000 housing units across Jordan at a rate of 20,000 per year. The units are designed to be affordable for low-income citizens, civil servants, Jordanian Armed Forces personnel, and civil servant and military retirees. The initiative functions as a public-private partnership with roles for the government, developers, and banks.

13. (U) The housing initiative has also been mentioned frequently by the King and by Prime Minister Nader al-Dahabi in reaction to complaints about rising costs of living. Prices have risen an average of 13.3% in the first six months of 2008 and are 16.6% higher than June 2007. The Consumer Price Average (CPA) estimates that 26% of household expenditures are for housing-related expenses including rent, repairs, home energy use, and furniture. In the past 12 months, these expenditures have experienced 17.4% inflation, with most of the increase coming from 70% increases in home energy use costs; less than 2% has come from rent increases. Despite rising costs, PM Dahabi estimated that Jordan needs an additional 45,000 housing units annually to meet growing demand. He further estimated that 66% of the housing is needed by Jordanians earning less than \$425 per month, who will be the target of the housing initiative.

Thousands Respond to Housing Initiative

14. (U) While it continues to determine the number of housing units needed, the GOJ has already begun to identify beneficiaries. Minister of Public Works and Housing Sahel Majali noted that tens of thousands of families have responded to the 200,000 applications distributed in the spring (reftel). During a July 29 press conference with OPIC President and CEO Mosbacher, Majali reported that 256 families have been notified of the approval of their mortgage applications and will soon receive housing units being built in Zarqa. He estimated that an additional 1,000 mortgages will be made before the end of the year with 700 beneficiaries being announced shortly for housing units in Amman. Majali also explained that the mortgages can be used to buy existing homes or one of the new homes being built as part of the government's initiative.

15. (U) Concurrent with approving mortgage applications, the government has begun to contract with real estate developers to implement the initiative, and will provide the developers with plots of land and infrastructure free of charge in order to keep the final prices low. Under the plan, investment projects will be set up to serve residential areas. The projects will be managed by a special commission affiliated with the Housing and Urban Development Corporation (HUDC) and revenues will go to finance future housing plans. HUDC Director General Sana Hikmat Mihyar said private sector developers will be responsible for building the housing units, ranging from 1,000 to 1,700 square feet, and ensuring that they are in compliance with all of Jordan's building codes. The project blueprints feature parks as well as entertainment and medical facilities. The total cost for the entire program was estimated by the press at \$7 billion.

#### Banking Sector with U.S. Assistance Actively Engaged

-----

16. (U) Mihyar explained that the government is also working with six banks to provide mortgages for the targeted residents. Under the proposed plan, no down payment is required, the monthly payment is structured to be less than one-third of the low-income beneficiary's salary, and mortgage payments will be automatically deducted from participants' accounts. Beneficiaries will not be able to sell or lease the units. Mihyar estimated that the mortgages would be variable rate 9% loans. Minister Majali told the press that the government is in discussion with Jordan's Islamic banks to reach an agreement to provide Islamic loans to program participants.

17. (SBU) Three banks - Arab Bank, the Housing Bank for Trade and Finance, and Cairo Amman Bank - will offer fixed rate, 25-year mortgages at a rate less than 9%, made possible by \$250 million in OPIC financing. Mosbacher and the three banks signed on July 29 an MOU that will increase the amount of capital available for mortgages. Note: Banks in Jordan are capped at keeping no more than 20% of their capital in mortgages. End note. Targeted recipients of the OPIC-facilitated funds are otherwise qualified applicants whose monthly income is less than the \$425 required for the GOJ program. In separate meetings with Labor Minister Bassem Salem and Social Security Corporation (SSC) Director General Omar Razzaz, Mosbacher discussed OPIC investment in a private equity fund designed to address the housing needs of Jordanian families whose incomes exceed the cap for the GOJ initiative, but are insufficient to satisfy commercial requirements.

18. (SBU) Minister of Labor Salem - who serves as the Chairman of the SSC Board - endorsed the various programs, but expressed to Mosbacher his concerns that the GOJ initiative has the potential to distort Jordan's land and housing market. He said he would have preferred a system that subsidized the poor directly rather than subsidizing the land which could hurt the private sector land owners. Mosbacher countered that OPIC has found that if the poor receive too many incentives or subsidies, they have no program buy-in leading to initiative failure.

19. (U) The July 29 signing of the memorandum of understanding between OPIC and the three banks generated major and positive media coverage by local and regional outlets in print, broadcast and online channels. Straightforward in tone, the coverage focused on the competitiveness of the new mortgage facility for consumers as well as OPIC's objectives of establishing a "best practices"

approach to home mortgage lending.

110. (U) OPIC has cleared this message.

Visit Amman's Classified Website at  
<http://www.state.sgov.gov/p/nea/amman>

RUBINSTEIN